

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ADP-00 INT-08 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

SS-15 USIA-15 SCEM-02 EB-11 COME-00 OMB-01 TRSE-00

CIEP-02 RSR-01 NIC-01 CEQ-02 EPA-04 /140 W

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P R 270850Z JUL 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 5687

INFO AMCONSUL HONG KONG

AMEMBASSY MOSCOW

USLO PEKING

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 9663

E.O. 11652: GDS

TAGS: ENRG, PFOR, JA, UR, US

SUBJ: VISIT OF OCCIDENTAL PRESIDENT HAMMER TO JAPAN

SUMMARY: IN WHIRLWIND WEEK OF APPOINTMENTS, DR. ARMAND HAMMER HAS HAD MEETINGS WITH PM TANAKA, MINISTERS NAKA-SONE AND AICHI, BANK, OIL, AND TRADING COMPANY REPS. PRINCIPAL ACCOMPLISHMENT OF VISIT AT THIS POINT IS ACCEPTANCE BY TOKYO GAS CHAIRMAN ANZAI OF OXY-EL PASO GROUP AS A PARTNER IN YAKUTSK GAS VENTURE. IN SURPRISE MOVE, WHICH DID NOT ENTIRELY PLEASE JAPANESE INVOLVED, HAMMER ALSO PROPOSED THAT US ROLE IN TYUMEN PIPELINE PROJECT BE SHIFTED FROM MINORITY PARTICIPATION TO 50-50 SHARE WITH JAPAN. HAMMER LEAVING FOR MOSCOW JULY 29 AND APPARENTLY INTENDS DISCUSS YAKUTSK AND TYUMEN FURTHER WITH SOVIETS. HAMMER WILLING RESPOND DIRECTLY TO ANY QUESTIONS PRIOR NIXON-TANAKA SUMMIT. END SUMMARY.

1. DR. ARMAND HAMMER ARRIVED IN TOKYO JULY 22 SURROUNDED BY GROUP OF ELEVEN SENIOR EXECUTIVES OF OCCIDENTAL SUBSIDIARIES, INCLUDING MARVIN WATSON, VICE PRES. FOR CORP.

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AFFAIRS OF OCCIDENTAL OIL, AND SENATOR ALBERT GORE, NOW

PRESIDENT OF OXY'S ISLAND CREEK COAL CO.

2. DR. HAMMER AND PARTY OF NINE OTHERS CALLED ON ECONCOM/MIN AND DCM MORNING JULY 23. DR. HAMMER INDICATED HIS BASIC THRUST IN JAPAN WOULD BE ON YAKUTSK AND TYUMEN SIBERIAN DEVELOPMENT PROJECTS. HAMMER EMPHASIZED TO ECONCOM/MIN NEED TO CONSIDER YAKUTSK PROJECT AS WHOLE - RATHER THAN EXPLORATION PROJECT FOLLOWED BY PIPELINE PROJECT LATER. ALSO INDICATED INTEREST IN PARTICIPATION IN TYUMEN OIL PROJECT. ECONCOM/MIN AND LATER DCM EMPHASIZED TO HAMMER NEED TO TAKE ACCOUNT OF JAPANESE SENSITIVITIES, PARTICULARLY CONCERNS AROUSED AFTER HAMMER SIGNED LETTER OF INTENT ON YAKUTSK PROJECT IN MOSCOW IN JUNE.

3. HAMMER WENT ON JULY 23 TO VERY SUCCESSFUL (FROM HIS POINT OF VIEW) CLOSED DOOR MEETING WITH HIROSHI ANZAI, BOARD CHAIRMAN OF TOKYO GAS. ACCORDING TO MASUDA OF MITSUBISHI CORPORATION, WHO AS INTERPRETER WAS ONLY OTHER PERSON PRESENT HAMMER EMPHASIZED IN VERY MODERATE AND DIPLOMATIC LANGUAGE, HIS DESIRE TO COOPERATE WITH JAPANESE IN YAKUTSK.

4. HAMMER EXPLAINED THAT SOVIETS HAD COME TO HIM INDICATING NEED FOR SPEED IN YAKUTSK DISCUSSIONS AND THAT HAMMER AND BOYD HAD NOT HAD TIME FOR LENGTHY DISCUSSIONS WITH JAPANESE, PRIOR TO SIGNING LETTER OF INTENT. HOWEVER, THEIR INTENTION HAD ALWAYS BEEN TO COOPERATE WITH JAPAN AND THE PROTOCOL SIGNED IN MOSCOW HAD MADE THIS CLEAR. DR. HAMMER THEN ASKED ANZAI IF HE COULD MENTION TO PM TANAKA (AT MEETING FOLLOWING DAY, JULY 24) THAT HAMMER AND ANZAI HAD AGREED THAT JAPANESE CONSORTIUM AND EL PASO-OCCIDENTAL GROUP WOULD JOINTLY LOOK AT YAKUTSK DEAL. ANZAI REPLIED THERE WAS NOTHING WRONG IN PRINCIPLE WITH SAYING TWO GROUPS WOULD WORK TOGETHER IN THIS PROJECT.

5. MASUDA CONTINUED THAT HAMMER HAD BEEN EMPHATIC WITH ANZAI ABOUT NEED TO CONSIDER YAKUTSK PROJECT AS A WHOLE - RATHER THAN IN EXPLORATION PHASE AND LATER DEVELOPMENT PHASE. HAMMER SAID HE SURE GAS WOULD BE CONFIDENTIAL

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FOUND IN NECESSARY QUANTITIES AND THAT IT ABSOLUTELY NECESSARY THAT ENTIRE FINANCIAL STRUCTURE BE SET UP NOW. HAMMER CONCLUDED BY ASKING ANZAI IF HE COULD TELL PRES AND SOVIETS THAT HE AND ANZAI HAD REACHED BASIC AGREEMENT TO PROCEED WITH POSITIVE JOINT WORK ON YAKUTSK. ANZAI AGREED.

6. INFORMATION SOMEWHAT SKETCHY ON HAMMER'S JULY 24 MEET-

ING WITH PM TANAKA; HOWEVER, OCCIDENTAL SOURCES SAY HAMMER DISCUSSED YAKUTSK, RELAYING ANZAI'S AGREEMENT. ALSO DISCUSSED ENERGY COOPERATION IN OTHER AREAS IN SUFFICIENTLY CONCRETE FORM SO THAT PM STRONGLY SUGGESTED THAT HAMMER REARRANGE HIS SCHEDULE AND CALL ON RETIRING MITI VICE MINISTER MOROZUMI FOLLOWING SESSION WITH PM. MOROZUMI HAD SOME WEEKS AGO INDICATED TO ECONCOM/MIN THAT HE WOULD PROBABLY BE NAMED TO POSITION IN PM'S OFFICE IN CHARGE OF ENERGY AFFAIRS. (SENATOR GORE TOLD EMBOFF THAT APPOINTMENT WITH PM TANAKA HAD BEEN SET UP THROUGH HIS EFFORTS. GORE SAID SEN. FULBRIGHT, AT HIS REQUEST, HAD CABLED TANAKA REQUESTING APPOINTMENT.)

7. HAMMER THEN MOVED ON TO HIROKI IMAZATO, PRESIDENT OF THE OVERSEAS PETROLEUM CORP (OPC), COORDINATING JAPANESE FIRM FOR TYUMEN PROJECT. HAMMER HERE BARED SURPRISE PROPOSAL THAT HE AND JAPANESE SHOULD PARTICIPATE 50-50 IN TYUMEN OIL PIPELINE PROJECT. ACCORDING RAEF DORMAN, VICE PRESIDENT OF BECHTEL CORP, WHO ACCOMPANIED HAMMER DURING WEEK IN JAPAN, HAMMER'S SPECIFIC PROPOSAL WAS THAT OXY HANDLE 50 PERCENT OF FINANCING OF BILLION DOLLAR-PLUS PROJECT, BUT THAT OCCIDENTAL WOULD GUARANTEE THAT APPROXIMATELY 80 PERCENT (I.E. 60 PERCENT OF OXY'S ONE-HALF SHARE) OF TYUMEN OIL WOULD BE MARKETED IN JAPAN. THIS ACCOUNT CONFIRMED BY JUNZO HIGAKI, SENIOR EXECUTIVE DIRECTOR OF OPC. CONTRARY TO THE ABOVE, HOWEVER, DR. HAMMER TOLD ECONCOM/MIN JULY 27 THAT /THIS (TYUMEN) OIL NEEDED ON WEST COAST AND I THINK THAT 50 PERCENT OF IT SHOULD COME TO THE US."

8. IT CLEAR THAT JAPANESE, AND ESPECIALLY IMAZATO'S GROUP, FEEL THREATENED BY HAMMER'S APPROACH. IMAZATO HAS ASKED HAMMER IN WRITING TO STAY WITHIN GUIDELINES
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THAT IMAZATO MADE CLEAR TO HAMER DURING THEIR MEETING. THESE GUIDELINES ARE (1) THAT US PARTICIPATION IN FINANCING AND OFFTAKE WILL BE LIMITED TO PROPORTION OF EQUIPMENT FOR PROJECT WHICH MUST COME FROM US (ESTIMATED AT MAXIMUM TO BE 20 PERCENT), (2) THT OPC DESIRES TO CONTINUE TO WORK WITH GULF AND RECOGNIZES BECHTEL MAY HAVE ROLE (3) THAT IMAZATO SHOULD BE ONE TO PROPOSE ANY MAJOR CHANGES IN TYUMEN PROJECT STRUCTURE TO SOVIETS.

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ACTION EA-14

INFO OCT-01 EUR-25 ADP-00 INT-08 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

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CIEP-02 NIC-01 RSR-01 CEQ-02 EPA-04 /140 W

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FM AMEMBASSY TOKYO

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INFO AMCONSUL HONG KONG

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C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 9663

ON BASIS HIS CONVERSATION WITH ECONCOM/MIN IT SEEMS QUESTIONABLE
THAT DR. HAMMER WILL STAY WITHIN THESE GUIDELINES DURING
MOSCOW VISIT.

9. DURING OCCIDENTAL RECEPTION JULY 25 SOVIET AMBASSADOR
TROYANOVSKY TOLD ECONCOM/MIM THAT SOVIET UNION STILL HAD
NOT REACHED DECISION ON BASIC QUESTION OF WHETHER IT
DESIRABLE FROM SOVIET POINT OF VIEW TO EXPORT LARGE QUAN-
TITIES OF OIL FROM TYUMEN FIELD TO JAPAN, IN LIGHT OF
INCREASING DOMESTIC OIL DEMANDS WITHIN USSR AND NEED TO
SUPPLY ADDITIONAL AMOUNT TO EAST EUROPEAN "FRIENDS."
SOVIET TRADE REP KAZAKOV GAVE SAME MESSAGE TO EMBOFF.

10. IN DISCUSSION OF SOVIET INDECISION ON TYUMEN PROJECT,
DORMAN OF BECHTEL SAID THAT SHAKINESS OF TYUMEN PROJECT
WAS REASON DR. HAMMER FELT HE SHOULD HAVE MAJOR ROLE,
I.E. WITH HIS PRESTIGE IN USSR HE MAY BE ABLE TO
CONCLUDE DEAL WHERE JAPANESE COULD NOT. ACCORDING DORMAN,
DR. HAMMER RECEIVED LETTER FROM BREZHNEV INVITING HIM
TO DISCUSS TYUMEN PROJECT WHEN HE VISITS MOSCOW NEXT
WEEK (WEEK OF JULY 30). JAPANESE HAVE APPARENTLY NOT
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BEEN TOLD ABOUT LETTER, BUT ARE WELL AWARE THAT HAMMER
INTENDS TO DISCUSS TYUMEN IN MOSCOW.

11. IN PRESS CONFERENCE JULY 25 ON ALL ASPECTS OF HIS TALKS TO DATE IN TOKYO, HAMMER REPORTEDLY EMPHASIZED JAPAN WILL PLAY AN EQUAL ROLE WITH THE US IN DEVELOPMENT OF YAKUTSK. HAMMER SAID THAT HIS COMPANY AND EL PASO NATURAL GAS ARE EXPECTED TO PUSH YAKUTSK DEVELOPMENT AS A JOINT VENTURE WITH A CONSORTIUM OF JAPANESE COMPANIES. REFERRING TO HIS MEETING WITH PM TANAKA, HAMMER REPORTEDLY SAID, "WE PROPOSED THAT THE JAPANESE PARTICIPATE ON AN EQUAL BASIS WITH EL PASO AND OURSELVES. I BELIEVE THAT THIS WILL BE ACCEPTABLE TO THE PRIME MINISTER."

12. HAMMER ALSO NOTED THAT HE WOULD LEAVE TOKYO FOR MOSCOW ON SUNDAY, TO FIRM UP FURTHER DETAILS OF YAKUTSK PROJECT WITH SOVIET AUTHORITIES. ON TYUMEN PROJECT, HAMMER TOLD PRESS HIS DISCUSSIONS WITH IMAZATO WERE STILL IN PRELIMINARY STAGE, BUT THAT HE AND IMAZATO WOULD MEET IN PARIS AUGUST 4 FOR FURTHER TALKS. (MEETING CONFIRMED BY IMAZATO'S OFFICE.) HAMMER ALSO NOTED POSSIBILITY OF OCCIDENTAL UNDERTAKING JOINT VENTURES WITH JAPANESE FIRMS IN DEVELOPMENT OF CRUDE OIL RESOURCES IN FOUR OTHER AREAS, INCLUDING PERU AND NIGERIA.

13. COMMENT: OUR IMPRESSION IS THAT IN YAKUTSK PROJECT DR. HAMMER HAS SOLIDIFIED HIS POSITION WITH JAPANESE AS LEADER OF PRIVATE US GROUP WHICH WILL HANDLE YAKUTSK PROJECT. RE TYUMEN, IT SEEMS LIKELY THAT HAMMER WILL DO HIS BEST IN MOSCOW TO GET SOVIET BACKING FOR HIS PROPOSAL FOR 50-50 JAPAN-US VENTURE ON TYUMEN.

14. DR. HAMMER INDICATED TO ECONCOM/MIN THAT HE WISHED TO BE CERTAIN THAT SENIOR WASHINGTON OFFICIALS WERE AWARE THAT ALL OF HIS ACTIVITIES IN JAPAN WERE FULLY CONSISTENT WITH US POLICY. HE ASKED ECONCOM/MIN TO INDICATE THAT HE WOULD BE HAPPY TO PROVIDE ANY INFORMATION DESIRED BY WASHINGTON PRIOR TO SUMMIT MEETING BETWEEN PM TANAKA AND PRESIDENT NIXON.
SHOESMITH

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